

107TH CONGRESS  
2D SESSION

# S. 2568

To amend title XVIII of the Social Security Act to improve the provision of items and services provided to medicare beneficiaries residing in rural areas.

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## IN THE SENATE OF THE UNITED STATES

MAY 23, 2002

Mrs. MURRAY (for herself and Ms. CANTWELL) introduced the following bill;  
which was read twice and referred to the Committee on Finance

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## A BILL

To amend title XVIII of the Social Security Act to improve the provision of items and services provided to medicare beneficiaries residing in rural areas.

1       *Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,*

3       **SECTION 1. SHORT TITLE.**

4       This Act may be cited as the "MediFair Act of  
5       2002".

6       **SEC. 2. FINDINGS.**

7       Congress makes the following findings:

1                   (1) Regional inequities in medicare reimbursement  
2                   has created barriers to care for seniors and the  
3                   disabled.

4                   (2) The regional inequities in medicare reimbursement  
5                   penalize States that have cost-effective  
6                   health care delivery systems and rewards those  
7                   States with high utilization rates and that provide  
8                   inefficient care.

9                   (3) Over a lifetime, those inequities can mean  
10                  as much as a \$50,000 difference in the cost of care  
11                  provided per beneficiary.

12                  (4) Regional inequities have resulted in creating  
13                  very different medicare programs for seniors and the  
14                  disabled based on where they live.

15                  (5) Because the Medicare+Choice rate is based  
16                  on the fee-for-service reimbursement rate, regional  
17                  inequities have allowed some medicare beneficiaries  
18                  access to plans with significantly more benefits in-  
19                  cluding prescription drugs. Beneficiaries in States  
20                  with lower reimbursement rates have not benefited  
21                  to the same degree as beneficiaries in other parts of  
22                  the country.

23                  (6) Regional inequities in medicare reimbursement  
24                  have created an unfair competitive advantage  
25                  for hospitals and other health care providers in

1 States that receive above average payments. Higher  
2 payments mean that those providers can pay higher  
3 salaries in a tight, competitive market.

4 (7) Regional inequities in medicare reimbursement  
5 can limit timely access to new technology for  
6 beneficiaries in States with lower reimbursement  
7 rates.

8 (8) Regional inequities in medicare reimbursement,  
9 if left unchecked, will reduce access to medicare  
10 services and impact healthy outcomes for beneficiaries.

12 (9) Regional inequities in medicare reimbursement  
13 are not just a rural versus urban problem.  
14 Many States with large urban centers are at the bottom  
15 of the national average for per beneficiary costs.

16 **SEC. 3. IMPROVING FAIRNESS OF PAYMENTS TO PRO-**  
17 **VIDERS UNDER THE MEDICARE FEE-FOR-**  
18 **SERVICE PROGRAM.**

19 Title XVIII of the Social Security Act (42 U.S.C.  
20 1395 et seq.) is amended by adding at the end the following new section:

22 "IMPROVING PAYMENT EQUITY UNDER THE ORIGINAL  
23 MEDICARE FEE-FOR-SERVICE PROGRAM  
24 "SEC. 1897. (a) ESTABLISHMENT OF SYSTEM.—Not-  
25 withstanding any other provision of law, the Secretary  
26 shall establish a system for making adjustments to the

1 amount of payment made to entities and individuals for  
2 items and services provided under the original medicare  
3 fee-for-service program under parts A and B.

4       **“(b) SYSTEM REQUIREMENTS.—**

5           **“(1) INCREASE FOR STATES BELOW THE NA-**  
6           **TIONAL AVERAGE.—Under the system established**  
7           **under subsection (a), if a State average per bene-**  
8           **ficiary amount for a year is less than the national**  
9           **average per beneficiary amount for such year, then**  
10          **the Secretary (beginning in 2003) shall increase the**  
11          **amount of applicable payments in such a manner as**  
12          **will result (as estimated by the Secretary) in the**  
13          **State average per beneficiary amount for the subse-**  
14          **quent year being equal to the national average per**  
15          **beneficiary amount for such subsequent year.**

16           **“(2) REDUCTION FOR CERTAIN STATES ABOVE**  
17           **THE NATIONAL AVERAGE TO ENHANCE QUALITY**  
18           **CARE AND MAINTAIN BUDGET NEUTRALITY.—**

19           **“(A) IN GENERAL.—The Secretary shall**  
20          **ensure that the increase in payments under**  
21          **paragraph (1) does not cause the estimated**  
22          **amount of expenditures under this title for a**  
23          **year to increase or decrease from the estimated**  
24          **amount of expenditures under this title that**  
25          **would have been made in such year if this sec-**

1           tion had not been enacted by reducing the  
2           amount of applicable payments in each State  
3           that the Secretary determines has—

4                 “(i) a State average per beneficiary  
5                 amount for a year that is greater than the  
6                 national average per beneficiary amount  
7                 for such year; and

8                 “(ii) healthy outcome measurements  
9                 or quality care measurements that indicate  
10                that a reduction in applicable payments  
11                would encourage more efficient use of, and  
12                reduce overuse of, items and services for  
13                which payment is made under this title.

14                 “(B) LIMITATION.—The Secretary shall  
15                not reduce applicable payments under subpara-  
16                graph (A) to a State that—

17                 “(i) has a State average per bene-  
18                 ficiary amount for a year that is greater  
19                 than the national average per beneficiary  
20                 amount for such year; and

21                 “(ii) has healthy outcome measure-  
22                 ments or quality care measurements that  
23                 indicate that the applicable payments are  
24                 being used to improve the access of bene-  
25                 ficiaries to quality care.

## 1                 “(3) DETERMINATION OF AVERAGES.—

2                 “(A) STATE AVERAGE PER BENEFICIARY  
3                 AMOUNT.—Each year (beginning in 2002), the  
4                 Secretary shall determine a State average per  
5                 beneficiary amount for each State which shall  
6                 be equal to the Secretary's estimate of the aver-  
7                 age amount of expenditures under the original  
8                 medicare fee-for-service program under parts A  
9                 and B for the year for a beneficiary enrolled  
10                under such parts that resides in the State.11                “(B) NATIONAL AVERAGE PER BENE-  
12                FICIARY AMOUNT.—Each year (beginning in  
13                2002), the Secretary shall determine the na-  
14                tional average per beneficiary amount which  
15                shall be equal to the average of the State aver-  
16                age per beneficiary amount determined under  
17                subparagraph (A) for the year.

## 18                “(4) DEFINITIONS.—In this section:

19                “(A) APPLICABLE PAYMENTS.—The term  
20                ‘applicable payments’ means payments made to  
21                entities and individuals for items and services  
22                provided under the original medicare fee-for-  
23                service program under parts A and B to bene-  
24                ficiaries enrolled under such parts that reside in  
25                the State.

1                 “(B) STATE.—The term ‘State’ has the  
2                 meaning given such term in section 210(h).

3                 “(c) BENEFICIARIES HELD HARMLESS.—The provi-  
4         sions of this section shall not affect—

5                 “(1) the entitlement to items and services of a  
6         beneficiary under this title, including the scope of  
7         such items and services; or

8                 “(2) any liability of the beneficiary with respect  
9         to such items and services.

10                 “(d) REGULATIONS.—

11                 “(1) IN GENERAL.—The Secretary, in consulta-  
12         tion with the Medicare Payment Advisory Commis-  
13         sion, shall promulgate regulations to carry out this  
14         section.

15                 “(2) PROTECTING RURAL COMMUNITIES.—In  
16         promulgating the regulations pursuant to paragraph  
17         (1), the Secretary shall give special consideration to  
18         rural areas.”.

19         **SEC. 4. MEDPAC RECOMMENDATIONS ON HEALTHY OUT-**  
20                 **COMES AND QUALITY CARE.**

21                 (a) RECOMMENDATIONS.—The Medicare Payment  
22         Advisory Commission established under section 1805 of  
23         the Social Security Act (42 U.S.C. 1395b–6) shall develop  
24         recommendations on policies and practices that, if imple-  
25         mented, would encourage—



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1                   (1) healthy outcomes and quality care under the  
2                   medicare program in States with respect to which  
3                   payments are reduced under section 1897(b)(2) of  
4                   such Act (as added by section 3); and

5                   (2) the efficient use of payments made under  
6                   the medicare program in such States.

7                   (b) SUBMISSION.—Not later than the date that is 9  
8                   months after the date of enactment of this Act, the Com-  
9                   mission shall submit to Congress the recommendations de-  
10                  veloped under subsection (a).

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